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Avian Influenza Economic Impacts

Southeast Asia

Prior to the AI outbreak, Asia accounted for over one-fifth of global poultry exports. The outbreaks of AI in Asia in 2004 shook global markets resulting in reduced consumption, the collapse of traditional trade links and large industry losses for affected countries. Outbreaks of H5N1 in Southeast Asia since late 2003 have led to the death or culling of over 150 million birds out of poultry inventories of nearly 8 billion birds. The continued trade bans on AI infected Asian countries into 2005 is anticipated to constrain the regions exports to less than 1 million tons, 12% of global shipments, a decline from 1.8 million tons in 2003 with most of the drop recorded in Thailand. The expected trade losses for the region are around \$1 billion. Economic growth rates, with the exception of China, are expected to slow to 6.2% in 2005 from 7.2% in 2004. China is expected to have over 9% economic growth for 2005.

The economic impact on small and medium producers, distributors and feed producers in many of the affected countries has been substantial. Poultry prices in the affected countries dropped 20-50% immediately after the first outbreaks along with per capita consumption. Some expect to see a recovery in 2005 of both prices and per capita demand. The market impact of AI has prompted many broiler industries to accelerate vertical integration to protect against diseases and caused some countries, particularly Thailand, to produce more cooked products for export. New cases continued to be reported from countries with native poultry and fighting birds in villages.

Delegates from Argentina, Brazil, China, Egypt, the European Union, Mexico, Russia, Thailand and the United States have recently approved a charter establishing the international Poultry Council (IPC). The IPC's aim is to work for the common good of the poultry industry on a worldwide basis. The IPC's first order of business is to launch a campaign to dispel myths about bird flu.

China

Poultry production started recovering quickly in 2004 after AI and ended with a slight increase in 2004. United States Department of Agriculture (USDA) had increased their broiler meat estimates for 2004 from 9.860 million MT to 9.998 million MT. China's broiler production is forecast to increase 2% to 10.2 million MT in 2005 and another 3% to 10.5 million MT in 2006. However, the pace of growth for China's broiler production in 2006 is still forecast to be below 2003, prior to the 2004 AI outbreaks. The slow growth in broiler supplies pushed up China's January-June, 2005 average wholesale broiler price 10.3% and the retail price 15.7% over the same time period in 2004.

Occasional outbreaks of AI in the western region of China and in neighboring countries in 2005 make broiler production risky and create concern. Some farmers lost money from the SARS outbreak 2 years ago and are now again being affected by the latest AI outbreak. Before the latest outbreak, a farmer was able to make 200 yuan from

selling 250 grams of eggs a day. Now, even though outside a quarantine zone, the farmer is lucky to receive that much in 10 days. Farmers are starting to turn to ducks and geese for higher profit.

China is investing RMB 5 billion (\$620 million) to establish labs in 2,000 counties for animal drug residue tests, 2 billion yuan (\$246-247 million) for epidemic control with funding also included for subsidies of culled poultry due to AI. The amount designated for epidemic control matches the amount allocated in spring 2003 for SARS. However, communication seems to be a problem in rural China since many farmers who had birds culled were unaware of the compensation program, others heard they might get 5 yuan (60 cents) per bird slaughtered. Some of China's farmers lack knowledge about AI and will at the first sign of trouble sell their flocks rapidly to minimize their losses.

The recent efforts the Chinese government has initialized will hopefully build confidence in meat safety and avoid what happened in 2003. In 2003 authorities initially covered up the epidemic ultimately resulting in lost credibility, creation of a panic in major cities and almost bringing the country to a halt. However, currently poultry markets in major Chinese cities have seen business drop steeply after recent news of outbreaks. Daily sales at Shanghai's largest poultry wholesale market, Gauntang, have dropped almost 80% to approximately 20,000 birds.

Broiler imports for 2005, originally expected to recover 52% from 2004, are now expected to recover 25% due to policy changes, domestic production increases and international higher prices. China's broiler meat imports for 2006 are forecasts at 320,000 MT, a 14% increase from 2005, but still below the 2003 pre-AI records. The United States' (US), the largest supplier of poultry to China, market share dropped from 96% to 46% from 2003 to the first half 2005 for direct shipments. In 2004 China had banned US poultry due high path AI. During the period China had banned US exports, Brazil's exports to China increased over 600% and Argentina's over 900%. They still compete against the US in China in terms of both price and quality.

Due to challenges of gaining market access for frozen poultry, China has started focusing its export strategy on cooked poultry. The poultry industry, primarily due to foreign direct investment, has invested heavily the last couple years in production capacity and machinery. USDA has proposed a rule that would permit the import of cooked poultry from China processed only from raw material imported from approved countries and slaughter facilities, besides from Chinese slaughtered product. USDA completed an official audit of China's poultry slaughter process in August, 2005 and still needs to draft the proposed rule and begin the regulatory review.

Sources: USDA/FAS, FAO, various news sources

Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending October 29, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	308	740	14,547	15,835
Frozen	0	0	130	11
Dried	0	6	688	605
Total	308	746	15,365	16,451

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending October 29, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	130	87	5,994	7,129
Frozen	24	3	732	1,498
Dried	0	40	371	1,893
Total	154	130	7,097	10,520

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending October 29, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	11	0	190	392
Extra Large	1,270	8,710	174,601	175,444
Large	4,390	14,698	278,261	376,792
Medium	1,074	5,164	90,913	116,459
Ungraded	15,780	13,270	178,294	290,524
Misc	850	0	8,903	16,790
Total	23,375	41,842	731,162	976,401

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Source: USDA/AMS Poultry Programs, Market News Branch.

U.S./Canadian Live Poultry Slaughtered Under Inspection

W/E 29-Oct-05 (PRELIMINARY)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,402	1,485	2,887
Last Week	1,060	1,515	2,575
Same week yr ago	1,433	1,519	2,952
To-date/2005	62,306	61,095	123,401
To-date/2004	58,774	58,544	117,318

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	307	0	307
Last Week	229	0	229
Same week yr ago	372	7	379
To-date/2005	11,209	60	11,269
To-date/2004	10,622	125	10,747

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,709	1,485	3,194
Last Week	1,289	1,515	2,804
Same week yr ago	1,805	1,526	3,331
To-date/2005	73,515	61,155	134,670
To-date/2004	69,396	58,669	128,065

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Nov 04, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT				
CONTENT	FROZEN	FRESH	TOTAL	EXPORT
RANGE	-	20.00	40,800	-
WTD AVERAGE		20.00		
15-20%				
RANGE	12.00-20.00	10.00-19.00	1,692,000	1,182,000
WTD AVERAGE	15.25	14.68		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Nov 04, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT				
CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	18.00-19.00	400,000	-
WTD AVERAGE		18.60		
15-20%				
RANGE	13.00-21.00	13.00-17.00	2,484,000	1,404,000
WTD AVERAGE	18.19	14.62		
20% OR MORE				
RANGE	-	14.00	200,000	-
WTD AVERAGE		14.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 4 NOVEMBER 2005.

The market tone on fresh tom breast meat was steady to instances weak, balance of white meat steady to instances fully steady with strength erosion noted on some items due in part to the declining fresh tom breast meat market. Demand light to moderate. Offerings of fresh tom breast meat adequate to instances burdensome, balance of white meat mostly light to adequate with inventories varying by processor. The market tone on mechanically separated turkey was steady to weak. Demand and trading light for the adequate to ample offerings. Trading was active on contracts for 2006, plant grade 4-8 lb. breasts for November-December shipments and on fresh tom breast meat for current shipments, balance slow to moderate. For domestic (fresh): wing meat with skin 92, scapula 126, tom breast meat 206 floor and 200-210 ceilings for January-December, 2006, fresh -20% mechanically separated turkey 19 shipping point and 22-24 delivered January-December, 2006. For export (fresh): tom drums 43, thigh meat 98 cents delivered.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, NOVEMBER 04, 2005	RANGE	CODE 1/	PRICE	(000)	PRICE	(000)
DRUMSTICKS, TOMS	44.00		44.00	40	42.81	396
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM	37.00		37.00	312	37.00	312
TAILS		R	36.06	72	35.61	92
MECHANICALLY SEPARATED 2/		M	23.00	40	23.00	40
THIGH MEAT - FROZEN	96.00-98.00		96.50	160	96.29	280

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
THURSDAY, NOVEMBER 03, 2005	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS		W	42.67	356
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		F	37.00	52
TAILS	31.00-38.00		36.06	72
MECHANICALLY SEPARATED 2/		M	23.00	40
THIGH MEAT - FROZEN		M	96.00	120

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
WEDNESDAY, NOVEMBER 02, 2005	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS	42.00-44.00		42.67	356
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		F	37.00	52
TAILS		M	34.00	20
MECHANICALLY SEPARATED 2/		M	23.00	40
THIGH MEAT - FROZEN		M	96.00	120

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
TUESDAY, NOVEMBER 01, 2005	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS		F	44.00	208
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		F	37.00	52
TAILS		M	34.00	20
MECHANICALLY SEPARATED 2/		M	23.00	40
THIGH MEAT - FROZEN		M	96.00	120

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
MONDAY, OCTOBER 31, 2005	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS		F	44.00	208
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		F	37.00	52
TAILS	34.00		34.00	20
MECHANICALLY SEPARATED 2/	23.00		23.00	40
THIGH MEAT - FROZEN	96.00		96.00	120

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.